Approved For Release 2002/09/21 CIA-RDP70R00890A000700050030-2

NO CHANGE IN CLASS.

ESC MATERIAL

CLASS CHANGED TO: TG S C

17 May 1986

AUTH: HR 70-2/4-80 DATE

Consultations reading

25X1

- 1. On \$5 Mar '86, the American embancy in Exhul presented a
 US offer of \$10 million (half loss and half grant) as assistance
 in development of Afghan commercial airfields, purchase of aircraft,
 and mirlion operating services. Reconstruction of the Eshul airport and American management of airline operating services were
 important parts of the MS proposal, and Fna American sent Sepresentatives
 to Enhul in late April to discuss taking over the existing local
 mirline (ARTANA). In April, Embassy Enhul, together with the MS Air
 Force, began preparations for a good-will mirlift of pilgrims to
 Monce this susser.
- 2. Prime Minister Daud, on 17 April, welcomed the US offer but admitted that the Kabul sirport job had been "seemitted in principle" to the USSR. He suggested that the USSR and US might share the work there—the Russians building the runways and the US installing communications equipment and possibly constructing the administration building. After negotiations began, Daud decided that no detailed commitments on the Embel airport could be made to anyone for the present.
- 3. Negotiations, still in progress, have been rendered difficult by the Aighan desire to devote all of the US \$10 million to aircraft and sirfields development, while turning over to KLE (which is interested in taking over ANTANA) or some other non-US group the development of airline operating services. Negotiations have been in recess for the past week, but are due to begin again today (17 May).

State Dept. review completed Approved For Release 2002/08/21 CFFRDP79R00890A000700050030-2

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Hard Aighan bargaining, thmefar, indicates that Kabul istill feels it can afford to be independent in the matter, although the Aighans are probably eager to close a deal acceptable to them.